

Details of Possible RFP for Long/Short Enhanced Indexing Managers

The following criteria would be used for manager selection:

1. Managers with positive active returns, commensurate with the risk incurred, that have a low correlation to one another.
2. Depth of investment talent and a convincing strategy to retain top talent.
3. A well reasoned investment philosophy and process and the ability to demonstrate why it should add value over the benchmark.
4. A quantitative process for portfolio construction and risk control.
5. Experienced securities traders and evidence of ability to trade in a cost-effective manner for large institutional portfolios.
6. Experience with short selling.
7. Risk system comparable to what managers of risk managed absolute return strategies use.
7. Competitive fee arrangements.
8. A desire to work for CalPERS and deploy adequate and high caliber resources to the relationship.

In consideration of the Board's policy on Board scoring, staff would recommend that 200 points be allocated for staff (not including fees) and 200 points be allocated for the Investment Committee, to be applied in the event that the Committee decides to interview and score the bidders. The 200 points allocated to staff would consist of 100 points allocated to the scoring of the bidders' proposals and 100 points allocated to staff's onsite visits or interviews. Staff would seek input from Wilshire to develop the questionnaire used in the scoring of the bidders' proposals.

It is anticipated that most of the funding for the new managers would come primarily from assets that are managed on a passive basis. In addition, some funding might be obtained from a reduction in the assets of CalPERS' current external managers or from cash inflows.